Statutory Reports, Financial Statements and Notes

CONTENTS

Statutory Reports

Financial Statements

Notes to the Financial Statements

Consolidated Profit and Loss Statement

Consolidated and Company Balance Sheets

Consolidated Cash Flow Statement

Other Financial Information

Statutory Reports

REPORT OF THE DIRECTORS

PRINCIPAL BUSINESS ACTIVITIES AND GEOGRAPHICAL MARKETS ANALYSIS OF OPERATIONS

First Pacific Company Limited (the Company) is a Hong Kong-based investment and management company with operations located primarily in Southeast Asia. Its principal business interests relate to Telecommunications, Consumer Food Products, Property and Transportation. There were no significant changes in the nature of the Group's principal business activities during the year.

An analysis of the Group's turnover and segmental information for the year, by principal business activities and principal geographical markets, is set out in Note 1 to the Financial Statements, and a summary of its principal investments is set out on page 76.

INCORPORATION

The Company was incorporated on 25 May 1988 in Bermuda with limited liability.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Companies Ordinance requires the Directors to prepare Financial Statements for each financial year that give a true and fair view of the Company's state of affairs as at the end of the financial year and of its profit or loss for the year then ended. In preparing the Financial Statements, the Directors are required to:

(A) select suitable accounting policies and apply them on a consistent basis, making judgements and estimates that are prudent, fair and reasonable;
(B) state the reasons for any significant departure from accounting standards; and
(C) prepare the Financial Statements on the going concern basis, unless it is not appropriate to presume that the Company will continue in business for the foreseeable future.

The Directors are responsible for keeping proper accounting records, for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in Notes 19 and 29(C) to the Financial Statements.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the consolidated and Company statement of changes in shareholders' equity/(deficit) of the Financial Statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company, nor any of its subsidiary companies, has made any purchase, sale or redemption of any of the Company's listed securities during the year.

On 29 July 2003, CAB Holdings Limited (CAB), a wholly-owned subsidiary of the Company, completed an issue of US$115 million in principal amount of secured bonds (the Bonds). The Bonds, listed on the Singapore Exchange Securities Trading Limited, bear interest at the rate of 8.25 per cent per annum payable six monthly in arrear, mature on 29 July 2006 at their aggregate principal amount, and are secured by the Group's 51.5 per cent interest in Indofood held by CAB. During 2003, one of the Company's wholly-owned subsidiary company repurchased US$2.0 million of the Bonds.

In February 2003, under its Employee Stock Ownership Program, Indofood granted 228,900 options to qualified employees to purchase up to 114.5 million ordinary shares at an exercise price of Rupiah 825 per share. During the year, 116,739 of these options were exercised by the employees and Indofood issued 58.4 million new ordinary shares. The remaining 112,161 options were canceled on 15 May 2003 when they expired.

Except as described or referred to above, there has been no issue, redemption or conversion of any convertible securities or options in issue by the Company's subsidiary companies during the year.

Statutory Reports

RESULTS AND APPROPRIATIONS

The consolidated results of the Group for the year ended 31 December 2003 and the state of affairs of the Company and the Group at that date are set out in the Financial Statements on pages 37 to 71.

The Directors do not recommend the payment of a dividend.

CHARITABLE CONTRIBUTIONS

The Group made charitable contributions totaling US$2.2 million in 2003 (2002: US$2.0 million).

PROPERTY AND EQUIPMENT

Details of movement in the Group's property and equipment during the year are provided in Note 8 to the Financial Statements.

BANK LOANS, LOAN CAPITAL AND OTHER BORROWINGS

Particulars of the bank loans, loan capital and other borrowings of the Group are provided in Notes 17 and 21 to the Financial Statements.

FINANCIAL ASSISTANCE TO AN ASSOCIATED COMPANY

Particulars of the Company's guarantees for credit facilities to an associated company and the associated company's condensed balance sheet, disclosed pursuant to paragraphs 3.3 and 3.10 of Practice Note 19 of the Listing Rules, are respectively provided in Notes 10(F), 27(C) and 30(B) to the Financial Statements.

DISTRIBUTABLE RESERVES

At 31 December 2003, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Act 1981 of Bermuda (as amended) was nil (2002: US$29.6 million). The Company's share premium, in the amount of US$958.2 million (2002: US$958.2 million), may be distributed in the form of fully-paid bonus shares.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

SUMMARY FINANCIAL INFORMATION

A summary of the published results, assets and liabilities, and various information and financial ratios of the Company and the Group for the last ten financial years, as extracted from the audited Financial Statements and reclassified as appropriate, is set out on page 75. This summary does not form part of the audited Financial Statements.

DIRECTORS

The names of the Directors who held office at 31 December 2003 are set out on pages 6 and 7. Details of Directors' service contracts are provided in the Statement on Corporate Governance, and remuneration details are provided in Note 29(A) to the Financial Statements.

INTERESTS OF DIRECTORS IN THE COMPANY AND ITS ASSOCIATED CORPORATIONS

At 31 December 2003, the following Directors were interested, or were deemed to be interested in the following long and short positions in the shares, underlying shares of equity derivatives and debentures of the Company or any associated corporation (within the meaning of the SFO) which (a) were required to be notified to the Company and HKSE pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and HKSE:

(A) First Pacific

Long positions in shares

Name		Ordinary shares	Approximate percentage of issued share capital (%)
Sutanto Djuhar	30.0 per cent interest		
Tedy Djuhar	10.0 per cent interest		
Ibrahim Risjad	10.0 per cent interest		
Anthoni Salim	10.0 per cent interest all via		
	First Pacific Investments Limited[(i)]	790,229,364[(C)]	24.80
Anthoni Salim	33.3 per cent interest via		
	First Pacific Investments (BVI) Limited[(ii)]	628,296,599[(C)]	19.72
Manuel V. Pangilinan		6,026,759[(P)]	0.19
Edward A. Tortorici		13,132,129[(P)]	0.41

(C)=Corporate interest, (P)=Personal interest

(i) Soedono Salim, the former Chairman, and Sudwikatmono, a former Non-executive Director, respectively own 30.0 per cent and 10.0 per cent interests in First Pacific Investments Limited.

(ii) Soedono Salim, the former Chairman, owns a 33.3 per cent interest in First Pacific Investments (BVI) Limited.

(B) Associated corporations

Long positions in shares

- Manuel V. Pangilinan owned 15,048,064 common shares[(P)] in Metro Pacific Corporation (MPC), 42,002 common shares[(P)] in Philippine Long Distance Telephone Company (PLDT) and 360 preferred shares[(P)] in PLDT as beneficial owner and a further 15,417 common shares in PLDT as nominee for another person, as well as 300,000 common shares[(P)] in Pilipino Telephone Corporation (PTC).
- Edward A. Tortorici owned 2,450,000 ordinary shares[(P)] in P.T. Indofood Sukses Makmur Tbk (Indofood), 3,051,348 common shares[(P)] in MPC, 96,874 common shares[(P)] in PLDT and 5,000,000 common shares[(P)] in PTC.
- Sutanto Djuhar owned 15,520,335 ordinary shares[(C)] in Indofood.
- Tedy Djuhar owned 15,520,335 ordinary shares[(C)] in Indofood.
- Ibrahim Risjad owned 6,406,180 ordinary shares[(P)] in Indofood.
- Anthoni Salim owned 632,370 ordinary shares[(C)] in Indofood.
- Albert F. Del Rosario owned 63,525 common shares[(P)] in PLDT, 1,560 preferred shares[(P)] in PLDT, 21,822,680 preferred shares[(P)] in Prime Media Holdings, Inc. (PMH) as beneficial owner and a further 32,231,970 preferred shares in PMH as nominee for another person, 4 common shares[(P)] in PMH, 100 common shares[(P)] in Negros Navigation Company, Inc., 4,922 common shares[(P)] in Costa de Madera Corporation, 19,999 common shares[(P)] in FPD Savills Consultancy Philippines, Inc. as beneficial owner and one common share in FPD Savills Consultancy Philippines, Inc. as beneficiary of certain trusts, 4,999 common shares[(P)] in FPD Savills Philippines, Inc. as beneficial owner and one common share[(P)] in FPD Savills Philippines, Inc. as beneficiary of certain trusts, 15,000 common shares[(P)] in Metro Pacific Land Holdings Inc., and 80,000 common shares[(P)] in Metro Strategic Infrastructure Holdings, Inc.

(P) = Personal interest, (C) = Corporate interest

Statutory Reports

(C) Long position in underlying shares in associated corporation

At 31 December 2003, pursuant to the share option scheme adopted by PLDT on 10 December 1999, Manuel V. Pangilinan was granted 97,571 stock options in PLDT on 10 December 1999, pursuant to which Manuel V. Pangilinan is entitled to exercise the stock options at the exercise price of Pesos 814 per share during the period from 10 December 2001 to 10 December 2009, in accordance with the terms of the aforesaid share option scheme.

Other than as disclosed, at 31 December 2003, none of the Directors and chief executive of the Company were interested, or were deemed to be interested in the long and short positions in the shares, underlying shares of equity derivatives and debentures of the Company or any associated corporation (within the meaning of the SFO) which (a) were required to be notified to the Company and HKSE pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and HKSE.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS IN THE COMPANY

The Register of Interests in Shares and Short Positions of Substantial Shareholders maintained under Section 336 of the SFO shows that at 31 December 2003, the Company had been notified that the following persons were interested in 5.0 per cent or more of the Company's issue share capital.

(A) First Pacific Investments Limited (FPIL-Liberia), which is incorporated in the Republic of Liberia, beneficially owned 790,229,364 ordinary shares at 31 December 2003, representing approximately 24.80 per cent of the Company's issued share capital at that date. FPIL-Liberia is owned by the Chairman (Anthoni Salim), three Non-executive Directors (Sutanto Djuhar, Tedy Djuhar and Ibrahim Risjad), the former Chairman (Soedono Salim) and a former Non-executive Director of the Company (Sudwikatmono), in the proportions specified in the table on page 33 and in note (i) to the table. Each of these persons is taken to be interested in the shares owned by FPIL-Liberia.

(B) First Pacific Investments (BVI) Limited (FPIL-BVI), which is incorporated in the British Virgin Islands, beneficially owned 628,296,599 ordinary shares at 31 December 2003, representing approximately 19.72 per cent of the Company's issued share capital at that date. Anthoni Salim, the Chairman, and Soedono Salim, the former Chairman of the Company, each beneficially owns one-third or more of the issued share capital of FPIL-BVI and, accordingly, each of them is taken to be interested in the shares owned by FPIL-BVI.

(C) Marathon Asset Management Limited (Marathon), which is incorporated in the United Kingdom, held 162,979,300 ordinary shares of the Company in April 2003, representing approximately 5.12 per cent of the Company's issued share capital. At 31 December 2003, the Company has not received any other notification from Marathon.

Other than as disclosed, the Directors and chief executive of the Company are not aware of any person at 31 December 2003 who had an interest or short position in the shares or underlying shares of equity derivatives of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was interested, directly or indirectly, in five per cent or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Company.

CONTRACTS OF SIGNIFICANCE

No contracts of significance in relation to the Company's business to which the Company or its subsidiary companies were parties, and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

None of the Directors had any direct or indirect interest in any assets which have been acquired, disposed of by, or leased to, or are proposed to be acquired or disposed of by, or leased to the Company or any of its subsidiary companies at the end of the year or at any time during the year.

Other than as disclosed, there is no contract or arrangement subsisting at 31 December 2003 in which any of the Directors is materially interested and which is significant in relation to the business of the Group.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the headings "Interests of Directors in the Company and its Associated Corporations" above and "Share Options" in Note 29(C) to the Financial Statements, at no time during the year was the Company or any of its subsidiary companies a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the Directors of the Company or their spouses or minor children had any right to subscribe for securities of the Company, or had exercised any such right during the year.

MAJOR CUSTOMERS AND SUPPLIERS

In 2003, sales to the Group's five largest customers, and purchases from the Group's five largest suppliers, respectively accounted for less than 30 per cent of total sales and total purchases for the year.

CONNECTED TRANSACTIONS

Significant related party transactions, which also constitute connected transactions under the Listing Rules, requiring to be disclosed in accordance with Chapter 14 of the Listing Rules, are disclosed in Notes 30(A) to (C) to the Financial Statements.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Previously, the Company maintained appropriate coverage for all Directors and officers of the Company and its related companies, save in those instances where individual companies have maintained their own coverage. In light of the recent surge in premia payable for insurance coverage, the Company is self-insuring, but continues to monitor premia in this coverage area.

EMPLOYMENT POLICIES

The Company has a policy of non-discrimination in respect of the age, religion, gender, disability or marital status of employees and prospective employees. This ensures that individuals are treated equally, given their skills and abilities, in terms of career development and opportunities for advancement.

SUBSEQUENT EVENT

Details of a significant subsequent event of the Group are set out in Note 31 to the Financial Statements.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming AGM.

In 2002, PricewaterhouseCoopers resigned as auditors of the Company and Ernst & Young were appointed by the Directors to fill the casual vacancy so arising. Apart from that, there have been no other changes of auditors in the past three years.

On behalf of the Board of Directors

NANCY L.M. LI
Company Secretary

Hong Kong
1 March 2004

ERNST & YOUNG
安永會計師事務所

REPORT OF THE AUDITORS

TO THE SHAREHOLDERS OF **FIRST PACIFIC COMPANY LIMITED**
(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)

We have audited the Financial Statements on pages 37 to 71 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's Directors are responsible for the preparation of Financial Statements which give a true and fair view. In preparing Financial Statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those Financial Statements and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the Financial Statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Financial Statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the Financial Statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2003 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

ERNST & YOUNG
Certified Public Accountants

Hong Kong
1 March 2004

Financial Statements

PRINCIPAL ACCOUNTING POLICIES

The Group comprises First Pacific Company Limited and its subsidiary companies.

(A) BASIS OF PREPARATION

The Financial Statements have been prepared in accordance with Hong Kong GAAP and comply with accounting standards issued by the HKSA, the disclosure requirements of the Hong Kong Companies Ordinance and the Listing Rules. The Financial Statements have been prepared under the historical cost convention except for short-term investments and derivative instruments which, as disclosed in the accounting policies below, are stated at fair value.

In 2003, the Group has changed its accounting policy in respect of income taxes following the adoption of the revised SSAP 12 "Income Taxes" issued by the HKSA, which is effective for accounting periods commencing on, or after, 1 January 2003. The revised SSAP 12 prescribes the accounting treatment for income taxes and requires the recognition of deferred tax liabilities for all taxable temporary differences, with limited exception; and deferred tax assets for all deductible temporary differences, with limited exception, if it is probable that a tax benefit will be realized. The adoption of the revised SSAP 12 had no significant effect on the Group's results or shareholders' equity.

(B) BASIS OF CONSOLIDATION

The consolidated Financial Statements include the financial statements of the Company and its subsidiary companies made up to 31 December. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

A subsidiary is an enterprise controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

The results of subsidiary companies acquired or disposed of during the year are included in the consolidated profit and loss statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The gain or loss on the disposal of a subsidiary company represents the difference between the proceeds of the sale and the Group's share of its net assets, together with any goodwill that was not previously charged or recognized in the consolidated profit and loss statement.

Outside interests represent the interests of outside shareholders in the results and net assets of subsidiary companies.

In the Company's balance sheet, investments in subsidiary companies are stated at cost less any provision for impairment losses. The results of subsidiary companies are accounted for by the Company on the basis of dividends received and receivable.

(C) CASH AND CASH EQUIVALENTS

For the purposes of the balance sheet, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments (which are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally less than three months when acquired), less bank overdrafts (which are repayable on demand and which form an integral part of the Group's cash management).

(D) INVENTORIES

Inventories are stated at the lower of cost and net realizable value. Cost is calculated using the first-in first-out basis, the weighted-average basis or moving average method. The cost of goods purchased for resale includes costs incurred in bringing the goods to their present location. Net realizable value is determined on the basis of current anticipated sales prices less estimates of costs to completion and selling expenses.

(E) PROPERTY AND EQUIPMENT

Freehold land is stated at cost and is not depreciated. Other property and equipment is stated at cost less accumulated impairment losses and accumulated depreciation, calculated on the straight-line basis at annual rates estimated to write off their book values over their expected useful lives. Details of depreciation rates are given in Note 8(A).

Major costs incurred in restoring fixed assets to their normal working condition are charged to the consolidated profit and loss statement. Improvements are capitalized and depreciated over their expected useful lives to the Group.

The gain or loss on disposal of property and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognized in the consolidated profit and loss statement.

(F) DEVELOPMENT PROPERTIES

Development properties are investments in land and buildings under construction, and are carried at cost less provision for impairment losses. Cost includes the original cost of the land and buildings, borrowing costs incurred in respect of development, construction expenditure and other direct costs. Profit is recognized on sales of properties as a percentage of the total estimated profit to completion, with the percentage used being the proportion of costs incurred to the estimated total costs to the extent of deposits received. Under this method, the gross profit on sale is recognized as the related obligation is fulfilled. Unrealized gross profit on sale of development properties is deferred and shown as deferred income under “Deferred liabilities and provisions” account in the consolidated balance sheet.

(G) ASSOCIATED COMPANIES

An associated company is a company, not being a subsidiary company, in which the Group has a substantial long-term interest in the equity voting rights and over whose management the Group is in a position to exercise significant influence, including participation in the financial and operating policy decisions.

Investments in associated companies are stated in the consolidated balance sheet at the Group’s share of net assets of the associated companies under the equity method of accounting, together with related goodwill (net of accumulated impairment losses) or negative goodwill on acquisition, which was not previously eliminated or recognized in the consolidated reserves, and in the Company’s balance sheet at cost less provision for impairment losses. Income from associated companies is stated in the consolidated profit and loss statement as the Group’s share of profits less losses of associated companies, and in the Company’s profit and loss statement to the extent of dividends received and receivable.

Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

(H) SHORT-TERM INVESTMENTS

Short-term investments are securities held for dealing purposes and are stated at fair value. At each balance sheet date, the unrealized gains and losses arising from changes in fair values of short-term investments are recognized in the profit and loss statement.

The gains or losses on the disposals of short-term investments, representing the difference between the net sales proceeds and the carrying amount of the investments, are recognized in the profit and loss statement as they arise.

(I) INCOME TAX

Income tax comprises current and deferred taxes. Income tax is recognized in the profit and loss statement, or in equity if it relates to items that are recognized directly in equity.

Deferred tax liabilities are provided, using the liability method, for all taxable temporary differences (with limited exceptions) arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax assets and unused tax losses (with limited exceptions). The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Conversely, previously unrecognized deferred tax assets are recognized to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

(J) PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. When the effect of discounting is material, the amount recognized for a provision is the present value, at the balance sheet date, of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount, arising from the passage of time, is included in net borrowing costs in the profit and loss statement.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote.

(K) IMPAIRMENT OF ASSETS

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss statement in the period in which it arises, unless the asset is carried at a revalued amount, then the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of the asset. However, this is limited and will not give rise to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization), had no impairment loss been recognized for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

(L) ACCOUNTING FOR ACQUISITIONS AND DISPOSALS

(i) RESULTS The results of subsidiary or associated companies acquired or sold are accounted for from or to the effective date of acquisition or disposal.

(ii) FAIR VALUE ADJUSTMENTS On the acquisition of a subsidiary company or an interest in an associated company, the acquisition cost is allocated to the fair value of the separable net assets acquired.

(iii) GOODWILL represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognized in the consolidated balance sheet as an asset and amortized on the straight-line basis over its estimated useful life of 20 years. In the case of associated companies, any unamortized goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

SSAP 30 "Business combinations" was adopted as at 1 January 2001. Prior to that date, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. On the adoption of SSAP 30, the Group applied the transitional provision of SSAP 30 that permitted such goodwill, to remain eliminated against consolidated reserves. Goodwill on acquisitions subsequent to 1 January 2001 is treated according to the SSAP 30 goodwill accounting policy above.

On the disposal of subsidiary and associated companies, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill that remains unamortized, and any relevant reserves, as appropriate. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

The carrying amount of goodwill, including goodwill remaining eliminated against consolidated reserves, is reviewed annually and written down for impairment when it is considered necessary. A previously recognized impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

(M) FOREIGN CURRENCIES

On consolidation, the financial statements of overseas subsidiary and associated companies are translated into U.S. dollars using the net investment method. The profit and loss statements of overseas subsidiary and associated companies are translated into U.S. dollars using average rates of exchange for the year. Balance sheets are translated at closing rates. The resulting translation differences are included in the exchange reserve. Where hedging arrangements are in place, the transactions to which they relate are translated at the rate determined by those arrangements. For the purposes of the consolidated cash flow statement, the cash flows of overseas subsidiary companies are translated into U.S. dollars at the average rates of exchange for the year.

Exchange differences, arising on the retranslation at closing rates of the opening net assets and the profits for the year retained by overseas subsidiary and associated companies, and on foreign currency borrowings used to finance long-term foreign equity investments, are taken to reserves.

Foreign currency transactions are translated into U.S. dollars at rates approximating those prevalent at the relevant transaction dates. Monetary assets and liabilities are translated at the rates of exchange prevailing at the balance sheet date.

Exchange differences fall within the definition of borrowing costs (see (R) below) are included in the carrying amount of an asset and are recognized in the consolidated profit and loss statement over the expected useful life of the asset or when the asset is disposed of.

All other exchange differences are dealt with in the consolidated profit and loss statement.

(N) TURNOVER AND REVENUE RECOGNITION

Turnover represents the amounts received and receivable from the sale of goods and properties and the rendering of services to third parties, falling within the ordinary activities of the Group's businesses. Turnover from sales is recognized when the ownership of goods sold has been transferred to the buyer. Turnover from services is recognized when it can be measured reliably by reference to stages of completion for the rendering of the said services.

(O) SEGMENTAL INFORMATION

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. They are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

Head Office and other items mainly comprise Head Office assets, borrowings and overhead.

(P) OPERATING LEASES

Leases, where substantially all of the risks and rewards of ownership of assets remain with the lessor, are accounted for as operating leases. Rentals payable under operating leases are recorded in the consolidated profit and loss statement on a straight-line basis over the lease term.

(Q) EMPLOYEE BENEFITS

(i) PENSION OBLIGATIONS The Group operates defined contribution and defined benefit retirement schemes.

Contributions to defined contribution schemes by the Group and employees are calculated as a percentage of the employees' basic salaries. The Group's contributions to defined contribution schemes are expensed as incurred and are reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions.

Contributions to defined benefit schemes are determined based on the value of the retirement scheme assets and estimates of the effects of future events on the actuarial present value of accrued pension obligations, and are determined on the basis of actuarial valuations using the projected unit credit method. The costs of defined benefit schemes are charged against profit on a systematic basis so as to be spread over the expected remaining service lives of the employees affected. Actuarial gains and losses are recognized immediately in the profit and loss statement as and when they occur.

(ii) LONG SERVICE PAYMENTS Certain of the Group's employees are eligible for long service payments in the event of the termination of their employment. A provision is recognized in respect of the probable future long service payments expected to be made. The provision is the best estimate of the probable future payments that have been earned by the employees from their service to the Group at the balance sheet date.

(iii) SHARE OPTION SCHEMES The Group operates three share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option schemes are not recorded in the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss statement or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company and subsidiary companies as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded in the share premium account. Options which are canceled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

(iv) PAID LEAVE CARRIED FORWARD The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilized by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

(R) BORROWING COSTS

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. Other costs include exchange differences on foreign currency borrowings and redemption premiums on convertible instruments. Exchange differences arising from foreign currency borrowings are included in borrowing costs to the extent that they are regarded as an adjustment to interest costs, and/or where borrowings in local currency are not available and it is not practically feasible to hedge the foreign currency borrowings. Redemption premiums on convertible instruments are provided for over the life of the instruments when it is probable that the premiums will become payable.

Borrowing costs are expensed in the consolidated profit and loss statement in the year in which they are incurred, except to the extent that they are capitalized as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to prepare for its intended use or sale.

Other ancillary costs incurred in connection with the arrangement of borrowings are charged to the consolidated profit and loss statement in the year in which they are incurred.

(S) DERIVATIVE INSTRUMENTS

Derivative instruments, which include currency swaps and foreign exchange contracts entered into for the purpose of managing foreign currency exposures but which are not qualified as hedging for accounting purposes, are recognized as either an asset or a liability based on the fair value of each contract. The gains or losses arising from changes in the fair values of these derivative instruments, are recognized in the consolidated profit and loss statement.

(T) RELATED PARTIES

Related parties are individuals and corporate entities where the individual or corporate entity has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or where two parties are subject to common control or common significant influence.

Financial Statements

CONSOLIDATED PROFIT AND LOSS STATEMENT

For the year ended 31 December

US$ millions	Notes	2003	2002
TURNOVER	1	**2,161.8**	1,892.3
Cost of sales		**(1,631.7)**	(1,420.9)
GROSS PROFIT		**530.1**	471.4
Distribution costs		**(172.3)**	(140.1)
Administrative expenses		**(138.1)**	(121.2)
Other operating income, net		**26.7**	6.9
OPERATING PROFIT	2	**246.4**	217.0
Share of profits less losses of associated companies		**65.0**	32.6
Net borrowing costs	3	**(115.8)**	(109.0)
PROFIT BEFORE TAXATION		**195.6**	140.6
Taxation	4	**(42.8)**	(56.2)
PROFIT AFTER TAXATION		**152.8**	84.4
Outside interests		**(71.3)**	(44.3)
PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	5	**81.5**	40.1
BASIC EARNINGS PER SHARE (U.S. CENTS)	6	**2.56**	1.27

The principal accounting policies on pages 37 to 41 and the Notes on pages 47 to 71 form an integral part of the Financial Statements.

CONSOLIDATED BALANCE SHEET

At 31 December

US$ millions	Notes	2003	2002
NON-CURRENT ASSETS			
Property and equipment	8	**719.6**	1,009.3
Associated companies	10	**8.0**	(24.5)
Long-term receivables and prepayments	11	**248.0**	265.3
Goodwill	12	**18.3**	19.3
Deferred tax assets	23	**7.5**	9.6
Restricted cash	25(B)	**4.7**	–
		1,006.1	1,279.0
CURRENT ASSETS			
Cash and cash equivalents		**233.3**	203.3
Restricted cash and pledged deposits	25(B)	**17.6**	22.9
Short-term investments	13	**77.0**	42.8
Accounts receivable, other receivables and prepayments	14	**430.2**	389.0
Inventories	15	**309.6**	376.1
		1,067.7	1,034.1
CURRENT LIABILITIES			
Accounts payable, other payables and accruals	16	**379.9**	381.2
Short-term borrowings	17	**207.4**	605.7
Provision for taxation	18	**36.8**	26.6
		624.1	1,013.5
NET CURRENT ASSETS		**443.6**	20.6
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,449.7**	1,299.6
EQUITY CAPITAL AND RESERVES			
Issued capital	19	**31.9**	31.9
Reserves		**(21.2)**	(103.1)
Shareholders' equity/(deficit)		**10.7**	(71.2)
OUTSIDE INTERESTS	20	**319.3**	424.1
NON-CURRENT LIABILITIES			
Loan capital and long-term borrowings	21	**955.9**	757.2
Deferred liabilities and provisions	22	**88.7**	118.9
Deferred tax liabilities	23	**75.1**	70.6
		1,119.7	946.7
		1,449.7	1,299.6

The principal accounting policies on pages 37 to 41 and the Notes on pages 47 to 71 form an integral part of the Financial Statements.

On behalf of the Board of Directors

MANUEL V. PANGILINAN
Managing Director and Chief Executive Officer

EDWARD A. TORTORICI
Executive Director

1 March 2004

Financial Statements

COMPANY BALANCE SHEET

At 31 December

US$ millions	Notes	**2003**	2002
NON-CURRENT ASSETS			
Subsidiary companies	9	**872.5**	1,049.4
Amounts due from subsidiary companies	9(A)	**868.8**	760.2
Associated companies	10(A)	**3.1**	31.4
		1,744.4	1,841.0
CURRENT ASSETS			
Cash and cash equivalents		**38.4**	26.2
Receivables and prepayments		**–**	0.4
		38.4	26.6
CURRENT LIABILITIES			
Payables and accruals		**12.6**	14.0
NET CURRENT ASSETS		**25.8**	12.6
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,770.2**	1,853.6
EQUITY CAPITAL AND RESERVES			
Issued capital	19	**31.9**	31.9
Reserves		**900.1**	987.8
Shareholders' equity		**932.0**	1,019.7
NON-CURRENT LIABILITIES			
Amounts due to subsidiary companies	9(B)	**838.2**	833.9
		838.2	833.9
		1,770.2	1,853.6

The principal accounting policies on pages 37 to 41 and the Notes on pages 47 to 71 form an integral part of the Financial Statements.

On behalf of the Board of Directors

MANUEL V. PANGILINAN
Managing Director and Chief Executive Officer

EDWARD A. TORTORICI
Executive Director

1 March 2004

CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY/(DEFICIT)

CONSOLIDATED US$ millions	**Issued capital**	**Share premium**	**Exchange reserve (Note 24)**	**Revenue reserve (Note 24)**	**Total**
Balance at 1 January 2002	31.4	908.7	(20.2)	(1,111.1)	(191.2)
Shares issued upon conversion of a Convertible Note	0.5	49.5	–	–	50.0
Net gains not recognized in the profit and loss statement					
– Exchange translation	–	–	20.1	–	20.1
Dilution of interests in a subsidiary and an associated company	–	–	0.4	9.4	9.8
Net (loss)/ profit for the year					
– Company	–	–	–	(0.3)	(0.3)
– Subsidiary companies	–	–	–	14.1	14.1
– Associated companies	–	–	–	26.3	26.3
BALANCE AT 31 DECEMBER 2002	31.9	958.2	0.3	(1,061.6)	(71.2)
Net losses not recognized in the profit and loss statement					
– Exchange translation	–	–	(4.3)	–	(4.3)
Dilution of interests in a subsidiary and an associated company	–	–	0.5	4.2	4.7
Net (loss)/ profit for the year					
– Company	–	–	–	(87.7)	(87.7)
– Subsidiary companies	–	–	–	112.1	112.1
– Associated companies	–	–	–	57.1	57.1
BALANCE AT 31 DECEMBER 2003	**31.9**	**958.2**	**(3.5)**	**(975.9)**	**10.7**

COMPANY US$ millions	**Issued capital**	**Share premium**	**Contributed surplus (Note 24)**	**Revenue reserve**	**Total**
Balance at 1 January 2002	31.4	908.7	173.8	(143.9)	970.0
Shares issued upon conversion of a Convertible Note	0.5	49.5	–	–	50.0
Net loss for the year	–	–	–	(0.3)	(0.3)
BALANCE AT 31 DECEMBER 2002	31.9	958.2	173.8	(144.2)	1,019.7
Net loss for the year	–	–	–	(87.7)	(87.7)
BALANCE AT 31 DECEMBER 2003	**31.9**	**958.2**	**173.8**	**(231.9)**	**932.0**

The principal accounting policies on pages 37 to 41 and the Notes on pages 47 to 71 form an integral part of the Financial Statements.

Financial Statements

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December US$ millions	Note	2003	2002
Operating profit		**246.4**	217.0
Depreciation		**54.5**	47.0
Foreign exchange losses/(gains), net		**10.8**	(10.7)
Loss on dilution of interests in a subsidiary and an associated company		**3.2**	4.2
Amortization of goodwill		**1.0**	0.4
Loss on sale of property and equipment		**0.6**	0.7
Increase in long-term receivables and prepayments		**(30.1)**	(28.4)
Payments in respect of deferred liabilities and provisions		**(8.3)**	(6.9)
Others		**(19.0)**	(17.0)
Operating profit before working capital changes		**259.1**	206.3
Increase in accounts receivable, other receivables and prepayments		**(69.5)**	(64.5)
Decrease/(increase) in inventories		**51.4**	(73.4)
Increase in accounts payable, other payables and accruals		**47.4**	0.6
Decrease in pledged deposits		**21.9**	23.3
Net cash inflow generated from operations †		**310.3**	92.3
Interest received		**21.5**	21.9
Interest paid		**(124.9)**	(114.7)
Tax paid		**(27.6)**	(23.5)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES		**179.3**	(24.0)
Purchase of property and equipment		**(71.7)**	(87.2)
Disposal of subsidiary companies	25(A)	**75.3**	(6.7)
Sale of property and equipment		**0.6**	8.0
Placement of short-term investments		**(15.8)**	(28.5)
Loans (to)/repaid by associated companies		**(14.2)**	7.3
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		**(25.8)**	(107.1)
Proceeds of new borrowings		**448.5**	886.9
Shares issued to outside interests by a subsidiary company		**5.6**	20.4
Borrowings repaid		**(528.3)**	(809.4)
Dividends paid to outside interests by a subsidiary company		**(50.5)**	(13.2)
Increase in restricted cash		**(20.4)**	–
Payments in connection with the shares repurchased by a subsidiary company		**–**	(71.6)
NET CASH (OUTFLOW)/INFLOW FROM FINANCING ACTIVITIES		**(145.1)**	13.1
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**8.4**	(118.0)
Cash and cash equivalents at 1 January		**203.3**	310.1
Exchange translation		**21.6**	11.2
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**233.3**	203.3
REPRESENTING			
Cash and cash equivalents		**233.3**	203.3

† Changes in working capital are stated excluding movements due to acquisitions and disposals of subsidiary companies.

The principal accounting policies on pages 37 to 41 and the Notes on pages 47 to 71 form an integral part of the Financial Statements.

Notes to the Financial Statements

1. TURNOVER AND SEGMENTAL INFORMATION

US$ millions	2003	2002
TURNOVER		
Sale of goods and properties	**2,118.2**	1,843.5
Rendering of services	**43.6**	48.8
TOTAL	**2,161.8**	1,892.3

SEGMENTAL INFORMATION

Segmental information, relating to the Group's business and geographic interests, follows. Analysis by business segment is the Group's primary reporting format as this is more relevant to the Group when making operational and financial decisions. Details of the Group's principal investments are provided on page 76. Particulars in respect of discontinuing and disposed operations are set out in Note 26.

BY PRINCIPAL BUSINESS ACTIVITIES – 2003

US$ millions	Telecom-munications	Consumer Food Products	Property and Transportation	A discontinuing operation[(i)]	Head Office	2003 Total
PROFIT AND LOSS						
Segment revenue – turnover	–	2,090.1	71.7	–	–	**2,161.8**
Segment results/operating profit	–	210.1	62.1	–	(25.8)	**246.4**
Share of profits less losses of associated companies	51.6	(0.4)	20.1	(6.3)	–	**65.0**
Net borrowing costs						**(115.8)**
Profit before taxation						**195.6**
Taxation						**(42.8)**
Profit after taxation						**152.8**
Outside interests						**(71.3)**
Profit attributable to ordinary shareholders						**81.5**
ASSETS AND LIABILITIES						
Segment assets	–	1,749.7	159.8	–	71.8	**1,981.3**
Associated companies	114.3	2.4	24.5	(133.2)	–	**8.0**
Unallocated assets						**84.5**
Total assets						**2,073.8**
Segment liabilities	–	286.2	115.6	–	75.4	**477.2**
Unallocated liabilities						**1,266.6**
Total liabilities						**1,743.8**
OTHER INFORMATION						
Capital expenditure	–	70.6	2.0	–	–	**72.6**
Depreciation and amortization	–	53.5	2.0	–	–	**55.5**
Other non-cash expenses	2.2	3.6	–	–	–	**5.8**

Notes to the Financial Statements

BY PRINCIPAL GEOGRAPHICAL MARKETS – 2003

US$ millions	The Philippines	Indonesia	A discontinuing operation(i)	Head Office	**2003 Total**
Segment revenue – turnover	71.7	2,090.1	–	–	**2,161.8**
Segment assets	159.8	1,749.7	–	71.8	**1,981.3**
Associated companies	138.8	2.4	(133.2)	–	**8.0**
Unallocated assets					**84.5**
Total assets					**2,073.8**
Capital expenditure	2.0	70.6	–	–	**72.6**

(i) Represents Escotel, a company operating in India.

BY PRINCIPAL BUSINESS ACTIVITIES – 2002

US$ millions	Telecom-munications	Consumer Food Products	Property and Transportation	Discontinuing/ disposed operations(ii)	Head Office	2002 Total
PROFIT AND LOSS						
Segment revenue – turnover	–	1,777.3	114.6	0.4	–	1,892.3
Segment results/operating profit	(0.4)	217.8	10.2	(2.3)	(8.3)	217.0
Share of profits less losses of associated companies	39.7	(0.1)	(0.9)	(6.1)	–	32.6
Net borrowing costs						(109.0)
Profit before taxation						140.6
Taxation						(56.2)
Profit after taxation						84.4
Outside interests						(44.3)
Profit attributable to ordinary shareholders						40.1
ASSETS AND LIABILITIES						
Segment assets	–	1,659.9	588.2	–	37.1	2,285.2
Associated companies	80.4	2.6	28.9	(136.4)	–	(24.5)
Unallocated assets						52.4
Total assets						2,313.1
Segment liabilities	–	285.2	224.0	–	64.9	574.1
Unallocated liabilities						1,386.1
Total liabilities						1,960.2
OTHER INFORMATION						
Capital expenditure	–	73.0	19.2	–	–	92.2
Depreciation and amortization	–	44.0	3.4	–	–	47.4
Other non-cash expenses	0.4	5.6	–	–	–	6.0

BY PRINCIPAL GEOGRAPHICAL MARKETS – 2002

US$ millions	The Philippines	Indonesia	Discontinuing/ disposed operations(ii)	Head Office	2002 Total
Segment revenue – turnover	114.6	1,777.3	0.4	–	1,892.3
Segment assets	588.2	1,659.9	–	37.1	2,285.2
Associated companies	109.3	2.6	(136.4)	–	(24.5)
Unallocated assets					52.4
Total assets					2,313.1
Capital expenditure	19.2	73.0	–	–	92.2

(ii) Primarily represents Escotel.

2. OPERATING PROFIT

US$ millions	**2003**	2002
OPERATING PROFIT IS STATED AFTER (CHARGING)/CREDITING		
Cost of inventories sold	**(1,300.8)**	(1,139.2)
Cost of services rendered	**(31.9)**	(34.8)
Depreciation	**(54.5)**	(47.0)
Operating lease rentals		
– Land and buildings	**(11.3)**	(9.6)
– Hire of plant and equipment	**(1.2)**	(1.0)
– Others	**(9.5)**	(7.8)
Net exchange (losses)/gains on monetary items	**(10.8)**	10.7
Loss on dilution of interests in a subsidiary and an associated company	**(3.2)**	(4.2)
Doubtful debt provisions	**(2.6)**	(1.8)
Auditors' remuneration		
– Audit services	**(1.0)**	(1.1)
– Other services	**(0.3)**	(0.1)
Amortization of goodwill (included in other operating income, net)	**(1.0)**	(0.4)
Loss on sale of property and equipment	**(0.6)**	(0.7)
Unrealized gains/(losses) on short-term investments	**1.8**	(0.9)

3. NET BORROWING COSTS

US$ millions	**2003**	2002
Loan capital		
– wholly repayable within five years	**0.4**	2.3
– not wholly repayable within five years	**–**	0.7
Subtotal	**0.4**	3.0
Bank loans and other loans		
– wholly repayable within five years	**135.1**	118.1
– not wholly repayable within five years	**1.9**	6.1
Subtotal	**137.0**	124.2
TOTAL INTEREST EXPENSE	**137.4**	127.2
Other borrowing costs		
– Redemption premium on convertible instruments	**–**	3.7
TOTAL BORROWING COSTS	**137.4**	130.9
Less interest income	**(21.6)**	(21.9)
NET BORROWING COSTS	**115.8**	109.0

Notes to the Financial Statements

4. TAXATION

No Hong Kong profits tax (2002: Nil) has been provided as the Group had no estimated assessable profits (2002: Nil) in Hong Kong for the year. Taxation on assessable profits generated outside Hong Kong has been provided at the rates of taxation prevailing in the countries in which the Company's subsidiary and associated companies operate.

US$ millions	**2003**	2002
SUBSIDIARY COMPANIES		
Current taxation – Overseas (Note 18)	**36.5**	26.5
Deferred taxation – Overseas (Note 23)	**(1.6)**	23.4
Subtotal	**34.9**	49.9
ASSOCIATED COMPANIES		
Current taxation – Overseas	**7.3**	2.8
Deferred taxation – Overseas	**0.6**	3.5
Subtotal	**7.9**	6.3
TOTAL	**42.8**	56.2

A reconciliation between profit before taxation multiplied by the applicable tax rates and the taxation amount as shown in the consolidated profit and loss statement is as follows.

US$ millions	**2003**		2002	
PROFIT BEFORE TAXATION	**195.6**		140.6	
		%		%
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**64.7**	**33.1**	45.6	32.4
Tax effect of:				
– Non-deductible expenses	**15.3**	**7.8**	1.5	1.1
– Share of net losses of associated companies	**2.9**	**1.5**	6.4	4.5
– Results of operations subjected to income tax holiday	**(18.5)**	**(9.5)**	(5.5)	(3.9)
– Income not subject to tax	**(24.7)**	**(12.6)**	(0.9)	(0.6)
– Others	**3.1**	**1.6**	9.1	6.5
TAXATION	**42.8**	**21.9**	56.2	40.0

5. PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS

Profit attributable to ordinary shareholders includes US$17.3 million (2002: US$11.0 million) net exchange losses that arose primarily on the translation of the unhedged U.S. dollar denominated borrowings of PLDT and Indofood and US$10.4 million (2002: Nil) of net non-recurring items, which comprise gains of US$16.8 million realized by Metro Pacific from various debt reduction and restructuring exercises, partly offset by PLDT's manpower reduction costs of US$6.4 million.

ANALYSIS OF EXCHANGE (LOSSES)/GAINS

US$ millions	**2003**	2002
Exchange (losses)/gains		
– Subsidiary companies	**(10.8)**	10.7
– Associated companies	**(19.8)**	(20.4)
Subtotal	**(30.6)**	(9.7)
Attributable to taxation and outside interests	**13.3**	(1.3)
TOTAL	**(17.3)**	(11.0)

Included within the profit attributable to ordinary shareholders is a loss of US$87.7 million (2002: US$0.3 million) attributable to the Company primarily due to a provision of US$72.7 million (2002: Nil) on the investment in Escotel. Such provision has no impact to the Group.

6. BASIC EARNINGS PER SHARE

	2003	2002
Basic earnings per share is based on		
– profit attributable to ordinary shareholders of (US$ millions)	**81.5**	40.1
– and an average number of shares in issue of (millions)	**3,186.0**	3,152.2
resulting in basic earnings per share of (U.S. cents)	**2.56**	1.27

No diluted earnings per share for the years ended 31 December 2003 and 2002 have been presented as no diluting events existed in respect of the outstanding potential ordinary shares of the Company, a subsidiary and an associated company during these years.

7. ORDINARY SHARE DIVIDENDS

(A) No interim dividend was paid for 2003 (2002: Nil).

(B) At a meeting held on 1 March 2004, the Directors did not recommend the payment of a final dividend for 2003 (2002: Nil).

Notes to the Financial Statements

8. PROPERTY AND EQUIPMENT

US$ millions	Development properties	Land and buildings	Machinery, equipment and vessels	Consolidated Total
COST				
At 1 January 2003	975.8	275.9	742.2	**1,993.9**
Exchange translation	(40.7)	13.3	32.9	**5.5**
Additions	–	19.1	53.5	**72.6**
Disposals	–	(1.3)	(7.0)	**(8.3)**
Disposal of subsidiary companies	(745.2)	(181.2)	(5.0)	**(931.4)**
Reclassification(i)	(189.9)	162.6	(9.7)	**(37.0)**
AT 31 DECEMBER 2003	**–**	**288.4**	**806.9**	**1,095.3**
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
At 1 January 2003	659.1	54.8	270.7	**984.6**
Exchange translation	(27.5)	2.8	9.2	**(15.5)**
Charge for the year	–	10.3	44.2	**54.5**
Disposals	–	(0.1)	(4.9)	**(5.0)**
Disposal of subsidiary companies	(631.6)	(2.1)	(2.0)	**(635.7)**
Reclassification(i)	–	–	(7.2)	**(7.2)**
AT 31 DECEMBER 2003	**–**	**65.7**	**310.0**	**375.7**
NET BOOK AMOUNT AT 31 DECEMBER 2003	**–**	**222.7**	**496.9**	**719.6**
Net book amount at 31 December 2002	316.7	221.1	471.5	1,009.3

(i) Reclassified from/(to) inventories.

(A) Principal annual rates of depreciation:

Development properties and freehold land	Nil
Freehold buildings	2.5% to 20.0%
Leasehold land and buildings	Lesser of period of lease, or 2.5%
Machinery, equipment and vessels	2.5% to 50.0%

(B) The land and buildings are freehold properties held outside Hong Kong.

(C) Property and equipment with a net book amount of US$11.7 million (2002: US$20.2 million) was pledged as security for certain of the Group's banking facilities (Note 21(F)).

9. SUBSIDIARY COMPANIES

US$ millions	Company 2003	Company 2002
Unlisted shares at cost	**1,115.6**	1,115.6
Less provision for impairment loss	**(243.1)**	(66.2)
TOTAL	**872.5**	1,049.4

The Company's listed subsidiary companies are held through intermediate holding companies.

(A) Amounts due from subsidiary companies are unsecured, interest-bearing at a range of zero per cent to 4.3 per cent per annum (2002: zero per cent to 4.8 per cent per annum) and have no fixed terms of repayment.

(B) Amounts due to subsidiary companies are unsecured, interest-bearing at a range of zero per cent to 8.4 per cent per annum (2002: zero per cent to 8.9 per cent per annum) and have no fixed terms of repayment.

Details of principal subsidiary companies which, in the opinion of the Directors, materially affect the results or net assets of the Group, are set out in tabular form on page 76.

10. ASSOCIATED COMPANIES

US$ millions	Consolidated 2003	2002
Shares at cost less provision for impairment		
– Listed	**559.0**	559.0
– Unlisted	**71.8**	76.4
Share of post acquisition reserves	**(42.8)**	(61.8)
Goodwill on acquisitions of associated companies	**(628.4)**	(630.1)
Loans to associated companies	**48.4**	32.0
TOTAL	**8.0**	(24.5)

(A) The Company's interests in associated companies include unlisted investments of US$3.1 million (2002: US$31.4 million) (net of provision for impairment of US$31.8 million (2002: Nil)) located outside Hong Kong.

(B) At 31 December 2003, both the listed and unlisted investments were located outside Hong Kong.

(C) At 31 December 2003, the market valuation of listed investments was US$724.2 million (2002: US$212.9 million) and dividends received and receivable were nil (2002: Nil).

(D) Loans to associated companies are unsecured, interest-free (2002: interest-bearing at a range of zero per cent to 16.0 per cent per annum) and have no fixed terms of repayment.

(E) Details of principal associated companies which, in the opinion of the Directors, materially affect the results or net assets of the Group, are set out in tabular form on page 76.

(F) Additional financial information in respect of the Group's principal associated companies, as prepared under HK GAAP, is set out below.

US$ millions	PLDT 2003	PLDT 2002	Escotel 2003	Escotel 2002
OPERATING RESULTS				
Turnover	**1,797.1**	1,552.5	**69.9**	70.6
Profit/(loss) before taxation	**245.4**	193.7	**(12.8)**	(13.4)
Profit/(loss) after taxation	**212.9**	167.9	**(12.8)**	(13.4)
Net profit/(loss)	**211.2**	168.4	**(12.8)**	(13.4)
NET ASSETS/(LIABILITIES)				
Current assets	**866.9**	724.6	**13.0**	9.5
Long-term assets	**3,613.5**	3,860.2	**81.2**	83.4
TOTAL ASSETS	**4,480.4**	4,584.8	**94.2**	92.9
Current liabilities	**(879.6)**	(822.3)	**(121.4)**	(73.5)
Long-term liabilities and provisions	**(3,116.7)**	(3,416.0)	**(291.8)**	(344.3)
TOTAL LIABILITIES	**(3,996.3)**	(4,238.3)	**(413.2)**	(417.8)
Outside interests	**(14.0)**	(17.0)	**–**	–
AT 31 DECEMBER	**470.1**	329.5	**(319.0)**	(324.9)

Escotel has a financial accounting period ending on 31 March, which is not coterminous with the Group. Total net liabilities of Escotel arose principally as a consequence of the Group's accounting policy of attributing to goodwill the excess of the acquisition cost of the telecommunications business, over the fair value of its separable net assets. This attributes no value to the acquired telecommunications licenses.

Notes to the Financial Statements

(G) PLDT was incorporated under the law of the Philippines on 28 November 1928 to provide telephone services in the Philippines. PLDT's charter was initially limited to a period of 50 years but has since been extended twice for 25 years each, the last extension being for an additional 25-year period ending 2028. Under its amended charter, which became effective on 24 August 1991, PLDT is authorized to provide virtually every type of telecommunications service, both within the Philippines and between the Philippines and other countries. PLDT operates under the jurisdiction of the Philippine National Telecommunications Commission which jurisdiction extends, among other things, to approving major services offered by PLDT and certain rates charged by PLDT.
Escotel, incorporated in May 1995, was granted three non-exclusive 10-year GSM licenses, in December 1995, by the Department of Telecommunication of India to build and operate cellular telephone services in Uttar Pradesh (West), Haryana and Kerala. The initial 10-year licenses were based on a fixed amount to be paid to the Indian Government. In August 1999, the Indian Government issued a New Telecom Policy that allows cellular operators to migrate to a revenue sharing mechanism from the previous basis of a fixed license fee. Under the revenue sharing mechanism, Escotel is required to pay license fees to the Indian Government on a quarterly basis, calculated at 10 per cent of gross revenue, and spectrum charges, calculated at two to three per cent of gross revenue, depending on the region of operation. In addition, the license period for all licenses was extended to 20 years (previously 10 years) from the date of initial award; thus Escotel's runs to 2015.

(H) After the disposal of its banking business during 2003, Prime Media Holdings, Inc. (PMH) (formerly known as First e-Bank, which changed its name in October 2003) became a shell company. Since Metro Pacific's interest in PMH remained at 83.2 per cent and PMH's banking business (which was temporarily controlled by Metro Pacific) was disposed of, PMH was reclassified from a non-consolidated subsidiary company (and included in Associated companies) to a subsidiary company (accounted for under consolidation accounting).

11. LONG-TERM RECEIVABLES AND PREPAYMENTS

	Consolidated	
US$ millions	**2003**	2002
Currency swap asset	**136.1**	135.4
Installment sales receivable	**2.1**	73.6
Input value added tax recoverable	**–**	68.1
Others	**159.3**	163.2
Subtotal	**297.5**	440.3
Less impairment provision	**–**	(68.1)
Less current portion included in accounts receivable, other receivables and prepayments	**(49.5)**	(106.9)
TOTAL	**248.0**	265.3

The currency swap asset relates to Indofood's hedging program.

The installment sales receivable primarily relates to Metro Pacific's property sales. These are on interest bearing (from 10.0 per cent to 21.0 per cent) installment terms (from two to 10 years), and are secured by the relevant property.

The input value added tax recoverable in the prior year represented input tax imputed on land acquired by Fort Bonifacio Development Corporation, which was deconsolidated in April 2003.

Others mainly represents Indofood's cash advances, and amounts arising from Indofood's provision for technical and management services.

12. GOODWILL

US$ millions	Consolidated 2003	2002
COST		
At 1 January	**19.7**	–
Addition	**–**	19.7
AT 31 DECEMBER	**19.7**	19.7
ACCUMULATED AMORTIZATION		
At 1 January	**0.4**	–
Charge for the year	**1.0**	0.4
AT 31 DECEMBER	**1.4**	0.4
NET BOOK AMOUNT AT 31 DECEMBER	**18.3**	19.3

13. SHORT-TERM INVESTMENTS

US$ millions	Consolidated 2003	2002
Listed outside Hong Kong – equity securities	**6.7**	4.3
– debt securities	**55.7**	37.9
Subtotal	**62.4**	42.2
Unlisted outside Hong Kong – equity securities	**13.9**	0.6
– debt securities	**0.7**	–
Subtotal	**14.6**	0.6
TOTAL	**77.0**	42.8

14. ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND PREPAYMENTS

Included in accounts receivable, other receivables and prepayments are trade receivables of US$227.1 million (2002: US$201.1 million), with an ageing profile as below.

US$ millions	Consolidated 2003	2002
0 to 30 days	**192.2**	160.3
31 to 60 days	**13.7**	11.8
61 to 90 days	**6.5**	8.3
Over 90 days	**14.7**	20.7
TOTAL	**227.1**	201.1

Indofood allows sub-distributors/wholesalers 60 days of credit, and other customers between 15-60 days of credit. Metro Pacific collects contract receivables related to property sales by installments over periods ranging between two to 10 years. The current portion of which is included above.

Notes to the Financial Statements

15. INVENTORIES

US$ millions	Consolidated 2003	2002
Properties held for sale	**56.7**	118.4
Finished goods	**106.2**	93.9
Raw materials	**152.2**	208.7
Work in progress	**8.2**	4.6
Less provisions	**(13.7)**	(49.5)
TOTAL	**309.6**	376.1

At 31 December 2003, the carrying amount of inventories carried at net realizable value amounted to US$44.2 million (2002: US$68.9 million).

Principal properties held by Metro Pacific and Landco for sale are included in Properties Held for Sale at 31 December 2003:

Location in the Philippines	Approximate gross development area (sq.m.)(i)	Group's economic interest (%)	Type	Status	Estimated completion date
Batulao, Batangas	2,107,050	52.4	R	Planning	–
Lemery, Batangas	671,892	49.2	F	Under construction	2004
Punta Fuego 1, Batangas	462,403	27.4	R, Ro	Under construction	2004
Stonecrest, San Pedro, Laguna	298,338	25.0	R	Under construction	2004
Talisay, Cebu	274,591	24.2	R	Under construction	2004
Punta Fuego 2, Batangas	252,984	17.7	R, Ro	Under construction	2005
Legaspi City, Albay	45,633	24.2	C	Completed	–
Lucena City, Quezon	43,598	69.3	R	Under construction	2004
Pacific Plaza Towers	4,851	80.6	R	Completed	–

R = Residential, F = Farm, Ro = Resort, C = Commercial

(i) Total area for sale as subdivisions, including lots sold under installment terms where full payment has not been made, and land designated for parks and open spaces.

16. ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUALS

Included in accounts payable, other payables and accruals are trade payables of US$213.7 million (2002: US$175.6 million), with an ageing profile as below.

US$ millions	Consolidated 2003	2002
0 to 30 days	**188.7**	129.0
31 to 60 days	**8.2**	11.9
61 to 90 days	**3.5**	25.1
Over 90 days	**13.3**	9.6
TOTAL	**213.7**	175.6

17. SHORT-TERM BORROWINGS

US$ millions	Consolidated 2003	2002
Bank loans		
– Secured	**17.2**	55.9
– Unsecured	**98.9**	149.2
Subtotal	**116.1**	205.1
Current portion of loan capital and long-term borrowings (Note 21)	**91.3**	400.6
TOTAL	**207.4**	605.7

None (2002: None) of the debt has an original maturity of less than 90 days.

Since the fourth quarter of 2001, Metro Pacific had been unable to meet its repayment obligations, on principal and interest, to certain third party lenders. Throughout 2002 and 2003, Metro Pacific has been actively engaged in discussions with its creditors to reduce and restructure its Head Office outstanding debts amounting to Pesos 12.9 billion (US$232.5 million). By the end of 2003, Metro Pacific had successfully repaid, reached agreements in principle or advanced discussions addressing approximately 94 per cent, or Pesos 12.1 billion (US$218.1 million) of the debts. Metro Pacific anticipates it will achieve successful resolution of its remaining Pesos 0.8 billion (US$14.4 million) Head Office debts by 2004.

Details of the Group's pledge of assets are set out in Note 21 (F) to the Financial Statements.

18. PROVISION FOR TAXATION

US$ millions	Consolidated 2003	2002
At 1 January	**26.6**	23.1
Exchange translation	**1.3**	0.5
Disposal of subsidiary companies	**(0.2)**	–
Provision for taxation on estimated assessable profits for the year (Note 4)	**36.5**	26.5
Transfer from deferred taxation (Note 23)	**0.2**	–
TOTAL	**64.4**	50.1
Tax paid	**(27.6)**	(23.5)
AT 31 DECEMBER	**36.8**	26.6

19. SHARE CAPITAL

US$ millions	Consolidated and Company 2003	2002
Authorized		
5,000,000,000 (2002: 3,499,000,000) ordinary shares of U.S. 1 cent each	**50.0**	35.0
Issued and fully paid		
At 1 January	**31.9**	31.4
Shares issued upon conversion of a Convertible Note	**–**	0.5
At 31 December 3,185,993,003 ordinary shares of U.S. 1 cent each	**31.9**	31.9

Pursuant to an ordinary resolution passed on 2 June 2003, the authorized share capital of the Company was increased from US$35.0 million to US$50.0 million by the creation of 1,501,000,000 additional shares of U.S. 1 cent each, ranking pari passu in all respects with the existing share capital of the Company.

Details of the Company's share option scheme are set out in Note 29(C) to the Financial Statements.

Notes to the Financial Statements

20. OUTSIDE INTERESTS

An analysis of the Group's outside interests, by principal operating company, is set out below.

US$ millions	Consolidated 2003	2002
Indofood	**291.4**	271.8
Metro Pacific	**27.9**	152.3
TOTAL	**319.3**	424.1

21. LOAN CAPITAL AND LONG-TERM BORROWINGS

US$ millions	Note	Consolidated 2003	2002
SECURED LOANS			
Bank loans	(A)	**109.5**	299.7
Other loans	(B)	**124.0**	58.5
Subtotal		**233.5**	358.2
UNSECURED LOANS			
Loan capital			
– Convertible notes	(C)	**6.4**	10.8
– Convertible preferred shares	(D)	**4.0**	7.6
Bank loans		**194.6**	354.2
Other loans	(E)	**608.7**	427.0
Subtotal		**813.7**	799.6
Total loan capital and long-term borrowings		**1,047.2**	1,157.8
Less current portion included in short-term borrowings (Note 17)		**(91.3)**	(400.6)
TOTAL		**955.9**	757.2

The maturity profile of the Group's loan capital and long-term borrowings is as follows:

US$ millions	Loan capital 2003	Loan capital 2002	Bank loans 2003	Bank loans 2002	Other loans 2003	Other loans 2002	Consolidated Total 2003	Consolidated Total 2002
Not exceeding one year	**10.4**	18.4	**73.7**	342.4	**7.2**	39.8	**91.3**	400.6
More than one year but not exceeding two years	**–**	–	**86.5**	87.8	**123.1**	18.9	**209.6**	106.7
More than two years but not exceeding five years	**–**	–	**101.3**	159.5	**602.0**	426.7	**703.3**	586.2
More than five years	**–**	–	**42.6**	64.2	**0.4**	0.1	**43.0**	64.3
TOTAL	**10.4**	18.4	**304.1**	653.9	**732.7**	485.5	**1,047.2**	1,157.8
Representing amounts repayable								
– wholly within five years	**10.4**	18.4	**260.5**	579.8	**732.3**	485.3	**1,003.2**	1,083.5
– not wholly within five years	**–**	–	**43.6**	74.1	**0.4**	0.2	**44.0**	74.3
TOTAL	**10.4**	18.4	**304.1**	653.9	**732.7**	485.5	**1,047.2**	1,157.8

Bank and other loans are repayable in various annual installments at a weighted average annual rate of interest of 12.6 per cent (2002: 11.7 per cent). Details of loan capital and long-term borrowings are set out below.

(A) SECURED BANK LOANS

Include a US$55.0 million bank loan secured on the Group’s 14.0 per cent interest in PLDT, subject to a LIBOR (London Inter-bank Offer Rates) based interest rate and repayable on 11 September 2006.

(B) SECURED OTHER LOANS

Include US$112.4 million of bonds (net of US$0.6 million unamortized issuance discount) issued by CAB Holdings Limited (CAB), a wholly-owned subsidiary of the Company. These bonds (the Bonds) were issued by CAB, on 29 July 2003, totaling US$115.0 million, bear interest at 8.25 per cent payable six monthly in arrear, mature on 29 July 2006 at their aggregate principal amount are secured by the Group’s 51.5 per cent interest in Indofood held by CAB and, subject to certain limitations and conditions, are guaranteed by the Company. During 2003, one of the Company’s wholly-owned subsidiary company repurchased US$2.0 million face value of the Bonds.

(C) CONVERTIBLE NOTES

Issued by Metro Pacific totaling Pesos 1.5 billion (US$29.0 million) during September and October 1999, these notes were due for redemption, at a premium of 8.7 per cent of the par value, in October 2002. At 31 December 2003, Pesos 353.6 million (US$6.4 million) of these notes, together with the related redemption premium of Pesos 30.8 million (US$0.6 million), remained outstanding and were included in the current portion of deferred liabilities and provisions under Accounts payable, other payables and accruals.

(D) CONVERTIBLE PREFERRED SHARES

Issued by Metro Pacific totaling Pesos 720.0 million (US$14.0 million) on 23 July 1999, these preferred shares were due for redemption, with a cumulative yield of 15 per cent, in July 2002. At 31 December 2003, Pesos 223.7 million (US$4.0 million) of these preferred shares, together with the related redemption premium of Pesos 33.6 million (US$0.6 million), remained outstanding and were included in the current portion of deferred liabilities and provisions under Accounts payable, other payables and accruals.

(E) UNSECURED OTHER LOANS

Principally include the following bonds issued by Indofood:

(i) Rupiah 1.0 trillion (US$118.1 million) of Rupiah bonds issued in July 2000, with a coupon rate of 16.0 per cent, payable quarterly, and mature in July 2005;
(ii) US$280.0 million five-year Euro bonds issued in June 2002, with a coupon rate of 10.375 per cent, payable semi-annually, and mature in June 2007; and
(iii) Rupiah 1.5 trillion (US$177.2 million) of Rupiah bonds issued in June 2003, with a coupon rate of 13.5 per cent, payable quarterly, and mature in June 2008.

(F) PLEDGE OF ASSETS

At 31 December 2003, certain bank and other borrowings were secured by the Group’s property and equipment, accounts receivable and inventories equating to a net book value of US$75.8 million (2002: US$95.0 million). Apart from these, the Head Office’s US$55.0 million bank loan and US$112.4 million bonds, as described in Notes (A) and (B) above, were secured by the Group’s 14.0 per cent and 51.5 per cent interests in PLDT and Indofood, respectively.

Notes to the Financial Statements

22. DEFERRED LIABILITIES AND PROVISIONS

US$ millions	Deferred income	Long-term payables	Pension	Others	Consolidated Total 2003	Total 2002
At 1 January	37.0	50.0	31.4	43.8	**162.2**	268.2
Exchange translation	(0.3)	(2.0)	1.7	(0.5)	**(1.1)**	3.0
Additions	1.4	1.0	10.6	10.2	**23.2**	47.2
Payment and utilization	(7.4)	(26.6)	–	(17.5)	**(51.5)**	(110.5)
Reversal	–	–	–	–	**–**	(37.6)
Disposal of subsidiary companies	(0.4)	(10.5)	–	–	**(10.9)**	–
Reclassification	–	–	–	–	**–**	(8.1)
Subtotal	30.3	11.9	43.7	36.0	**121.9**	162.2
Less current portion included in accounts payable, other payables and accruals	(1.3)	(6.9)	–	(25.0)	**(33.2)**	(43.3)
AT 31 DECEMBER	29.0	5.0	43.7	11.0	**88.7**	118.9

Deferred income relates to upfront service fee received by Asia Link B.V., a wholly-owned subsidiary of the Company, from Smart in respect of their arrangements under a Service Agreement (Note 30(D)) and the unrealized gross profit arising on property sales.

Long-term payables relate to liabilities for property development.

Pension relates to accrued liabilities in relation to retirement benefits.

Others mainly relate to provisions for warranty claims.

23. DEFERRED TAX

The movement in deferred tax assets and liabilities during the year is as follows.

US$ millions	Consolidated 2003	2002
DEFERRED TAX ASSETS		
At 1 January	**9.6**	19.6
Exchange translation	**–**	(0.1)
Disposal of subsidiary companies	**(12.4)**	–
Additions (Note 4)	**14.8**	–
Transfer from provision for taxation (Note 18)	**0.5**	–
Reclassification	**(5.0)**	(9.9)
AT 31 DECEMBER	**7.5**	9.6
DEFERRED TAX LIABILITIES		
At 1 January	**(70.6)**	(36.0)
Exchange translation	**(3.6)**	(3.1)
Disposal of subsidiary companies	**17.1**	–
Additions (Note 4)	**(13.2)**	(23.4)
Transfer from provision for taxation (Note 18)	**(0.3)**	–
Reclassification	**(4.5)**	(8.1)
AT 31 DECEMBER	**(75.1)**	(70.6)

An analysis by major components of deferred tax assets and liabilities is as follows.

US$ millions	Consolidated 2003	2002
DEFERRED TAX ASSETS		
Tax loss carry forward	**7.9**	6.6
Allowance for doubtful accounts	**1.4**	1.4
Others	**(1.8)**	1.6
TOTAL	**7.5**	9.6
DEFERRED TAX LIABILITIES		
Depreciation of property and equipment	**(73.9)**	(67.0)
Withholding tax on undistributed earnings of subsidiary and associated companies	**(9.3)**	(7.7)
Unrealized gross profit on sale of land	**–**	(10.8)
Lease transactions	**(3.2)**	(2.4)
Others	**11.3**	17.3
TOTAL	**(75.1)**	(70.6)

At 31 December 2003, tax losses available to reduce future income tax, arising in the entities to which they relate, amounted to US$25.0 million (2002: US$30.8 million) in respect of non-Hong Kong tax losses, and US$40.7 million (2002: US$40.7 million) in respect of Hong Kong tax losses. No deferred tax assets have been recognized in respect of these losses as they have arisen in subsidiary companies that have been loss-making for some time. Except for this, deferred taxation has been fully provided for.

24. RESERVES

An analysis of the exchange reserve by principal operating company is set out below.

US$ millions	Consolidated 2003	2002
PLDT	**(51.5)**	(43.5)
Indofood	**12.5**	1.3
Escotel	**34.0**	41.3
Others	**1.5**	1.2
TOTAL	**(3.5)**	0.3

An analysis of the goodwill reserve, which is eliminated against revenue reserve, by principal operating company is set out below.

US$ millions	Consolidated 2003	2002
PLDT	**(465.0)**	(466.7)
Indofood	**(343.8)**	(346.3)
Escotel	**(163.4)**	(163.4)
TOTAL	**(972.2)**	(976.4)

An analysis of the accumulated reserves of associated companies, included within consolidated reserves, is set out below.

US$ millions	Consolidated 2003	2002
Revenue reserve	**(25.3)**	(59.6)
Exchange reserve	**(17.5)**	(2.2)
TOTAL	**(42.8)**	(61.8)

Notes to the Financial Statements

The contributed surplus of the Company arose from a reorganization of the Group in 1988 and represents the difference between the nominal value of the share capital issued by the Company and the aggregate net asset value of the subsidiary companies acquired at the date of acquisition. Under the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its shareholders out of the contributed surplus provided certain conditions are met.

25. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(A) DISPOSAL OF SUBSIDIARY COMPANIES

US$ millions	**2003 Bonifacio Land Corporation and its subsidiary companies**	2002 Infrontier
NET ASSETS		
Property and equipment	**295.7**	2.1
Associated companies	**13.2**	–
Long-term receivable and prepayments	**69.0**	–
Deferred tax assets	**12.4**	–
Cash and cash equivalents	**14.9**	1.2
Accounts receivable, other receivables and prepayments	**23.1**	2.2
Inventories	**15.1**	–
Accounts payable, other payables and accruals	**(58.2)**	(4.2)
Due to Group companies	**(44.4)**	–
Short-term borrowings	**(19.2)**	(0.8)
Provision for taxation	**(0.2)**	–
Outside interests	**(117.1)**	–
Loan capital and long-term borrowings	**(51.4)**	(0.5)
Deferred liabilities and provisions	**(10.9)**	–
Deferred tax liabilities	**(17.1)**	–
	124.9	–
Reclassification to interests in associated companies	**(34.7)**	–
NET ASSETS DISPOSED OF	**90.2**	–
CONSIDERATION/(AMOUNT PAID)		
Cash and cash equivalents	**90.2**	(5.5)
TOTAL CONSIDERATION/(AMOUNT PAID)	**90.2**	(5.5)
NET INFLOW/(OUTFLOW) OF CASH AND CASH EQUIVALENTS PER CONSOLIDATED CASH FLOW STATEMENT	**75.3**	(6.7)

In April 2003, Metro Pacific's interest in BLC declined to 22.5 per cent from 72.9 per cent upon the assignment of 50.4 per cent controlling interest in BLC to settle Metro Pacific's debts. As a result of this transaction, BLC, previously being a subsidiary company of the Group, was accounted for as an associated company. In July 2003, Metro Pacific's interest in BLC further declined to 14.7 per cent upon the assignment of another 7.8 per cent interest in BLC to its creditor for debt settlement as part of its ongoing debt restructuring exercises which were designed to address its liquidity issue. Accordingly, since then, BLC had been accounted for as a short-term investment of the Group.

(B) RESTRICTED CASH AND PLEDGED DEPOSITS

At 31 December 2003, the Group has US$20.4 million (2002: Nil) of cash which is restricted as to use. Included in such amount, US$15.7 million is expected to be released during 2004 and, accordingly, classified as current assets. In addition, the Group has pledged bank deposits of US$1.9 million (2002: US$2.3 million) as security for a loan, which is also expected to be released during 2004 and classified as current assets.

Indofood's pledged bank deposits totaling Rupiah 184.2 billion (US$20.6 million) at 31 December 2002 were fully released in January 2003.

(C) MAJOR NON-CASH TRANSACTION

During the year, the Metro Pacific group settled approximately Pesos 4.8 billion (US$88.3 million) of borrowings through the transfer of properties to its creditors.

26. DISCONTINUING AND DISPOSED OPERATIONS

Date of disposal	Associated/ subsidiary company	Percentage held (%)	Percentage sold (%)	Consideration US$ millions	Gain on disposal US$ millions
During 2004 (expected)	Escotel	49.0	49.0	15.4	20.0
April 2002	Infrontier	100.0	81.0	–	–

Escotel is based in New Delhi, India and provides GSM cellular telephone services in Uttar Pradesh (West), Haryana and Kerala. Details of the proposed disposal of Escotel are provided in Note 31. Infrontier is a business solution provider specializing in supply chain management. First Pacific has retained a minority stake of 19 per cent.

The turnover, results, cash flows, assets and liabilities of the discontinuing and disposed operations attributable to the Group were as follows.

US$ millions	2003	2002
PROFIT AND LOSS		
Turnover	–	0.4
Operating expenses	–	(2.7)
Operating loss	–	(2.3)
Share of profits less losses of associated companies	(6.3)	(6.1)
LOSS FOR THE YEAR	(6.3)	(8.4)
CASH FLOW		
Net operating cash outflow	–	(2.8)
Net investing cash outflow	(16.7)	(6.7)
Net financing cash outflow	–	(0.2)
TOTAL NET CASH OUTFLOW FOR THE YEAR	(16.7)	(9.7)
ASSETS AND LIABILITIES		
Total assets	(133.2)	(136.4)
Total liabilities	–	–
AT 31 DECEMBER	(133.2)	(136.4)

Notes to the Financial Statements

27. COMMITMENTS AND CONTINGENT LIABILITIES

(A) CAPITAL EXPENDITURE

US$ millions	Consolidated 2003	2002
Commitments in respect of subsidiary companies:		
Authorized but not contracted for	**6.7**	13.6
Contracted but not provided for	**10.0**	23.9
TOTAL	**16.7**	37.5

Capital expenditure commitments principally relate to Indofood's purchase of machinery and equipment.

The Company has no commitments in respect of capital expenditure (2002: Nil).

(B) LEASING COMMITMENTS

At 31 December 2003, the Group had total future minimum lease payments under non-cancelable operating leases falling due as follows.

US$ millions	Consolidated 2003	2002
LAND AND BUILDINGS		
– Within one year	**6.8**	3.9
– Between two and five years inclusive	**2.4**	3.2
– After five years	**0.5**	0.5
Subtotal	**9.7**	7.6
OTHERS		
– Within one year	**7.5**	6.4
– Between two and five years inclusive	**7.2**	4.0
Subtotal	**14.7**	10.4
TOTAL	**24.4**	18.0

At 31 December 2003, the Company did not have any leasing commitment (2002: Nil).

(C) CONTINGENT LIABILITIES

At 31 December 2003, the Company had a guarantee of US$82.4 million (2002: US$92.6 million) which relates to credit facilities extended to Escotel. The credit facilities are guaranteed by Escotel's shareholders on a pro-rata basis and, thus, represent the Group's 49 per cent share of Escotel's borrowings.

The non-compliance of certain covenants under certain of Escotel's loan facilities may provide a basis for the lenders to accelerate the credit facilities which may then enable the lenders to access the guarantees provided by Escotel's shareholders. In the event that such guarantees are called upon by the lenders, they will become unsecured and short-term debts of the Company.

28. EMPLOYEE INFORMATION

(A) REMUNERATION

US$ millions	2003	2002
Basic salaries	125.2	110.6
Benefits in kind	30.1	22.3
Bonuses	19.8	14.9
Pension contributions	6.5	3.3
TOTAL	181.6	151.1
AVERAGE NUMBER OF EMPLOYEES	45,842	46,422

The above includes the remuneration of Directors. Detailed disclosures in respect of Directors' remuneration are set out in Note 29(A).

(B) RETIREMENT BENEFITS

The Group operates both defined contribution and defined benefit schemes covering approximately 23,640 (2002: 22,863) employees.

(i) DEFINED CONTRIBUTION SCHEMES The Group operates six (2002: seven) defined contribution schemes covering approximately 22,354 (2002: 21,391) employees. The assets of these schemes are held separately from the Group and are administered by independent trustees. Contributions to the schemes, either by the Group or by the employees, are determined by reference to the employees' salaries and length of service and range from zero per cent to 10 per cent (2002: zero per cent to 10 per cent). Under the terms of the schemes, the Group cannot be requested to make additional payments over and above these levels of contributions. In three (2002: one) of the schemes, forfeited contributions may be used to reduce the existing levels of employer contributions and, in 2003, US$0.1 million (2002: US$0.1 million) was used for this purpose. At 31 December 2003, the forfeited contributions had been fully utilized.

(ii) DEFINED BENEFIT SCHEMES The Group operates two (2002: two) defined benefit schemes covering approximately 1,286 (2002: 1,472) employees. The assets of these schemes are held separately from the Group and are administered by independent trustees. Benefits are determined by reference to employees' final salaries and length of service, and the schemes have undergone independent valuations. These actuarial valuations were based on the projected unit credit method. The plan assets do not include any financial instruments of the Group or property occupied by, or other assets used by, the Group.

The amount of deficit under defined benefit schemes included in the balance sheet is as follows.

	Consolidated	
US$ millions	2003	2002
Present value of defined benefit obligations	11.0	9.5
Fair value of plan assets	(6.8)	(5.1)
LIABILITY IN BALANCE SHEET	4.2	4.4

The movement of defined benefit liability during the year is as follows.

	Consolidated	
US$ millions	2003	2002
At 1 January	4.4	3.4
Exchange translation	0.1	0.1
Net pension scheme cost recognized in the profit and loss statement	1.9	2.3
Payment	(2.2)	(1.4)
AT 31 DECEMBER	4.2	4.4

Notes to the Financial Statements

The amount recognized in the profit and loss statement is as follows.

US$ millions	2003	2002
Current service cost	2.2	1.8
Expected return on plan assets	(0.5)	(0.4)
Net actuarial losses recognized in the year	0.2	0.2
Past service cost	–	0.7
TOTAL INCLUDED IN EMPLOYEE REMUNERATION	1.9	2.3
ACTUAL RETURN ON PLAN ASSETS	8%	9%

Principal actuarial assumptions (weighted average) at 31 December are as follows.

	2003	2002
Discount rate	9%	9%
Expected return on plan assets	9%	9%
Future salary increases	13%	13%
Future pension increases	13%	13%
Average remaining working lives of employees (years)	12	13

(C) LOANS TO OFFICERS

During 2003 and 2002, there were no loans made by the Group to officers which require disclosure pursuant to section 161B of the Hong Kong Companies Ordinance.

29. DIRECTOR AND SENIOR EXECUTIVE REMUNERATION

The remuneration of the Directors and senior executives, as disclosed in Notes (A) and (B), exclude the benefits arising from the exercise of share options.

(A) DIRECTORS' REMUNERATION

Executive Directors

US$ millions	2003	2002
Non-performance based		
– Salary and benefits	2.9	3.4
– Pension contributions	2.1	0.2
– Compensation for contract severance	3.1	–
Performance based		
– Bonus and long-term monetary incentive awards	1.7	0.3
TOTAL	9.8	3.9

Included within total Directors' remuneration is an amount of US$1.9 million (2002: US$1.5 million) paid or reimburseable by PLDT, an associated company, in respect of the services of the Managing Director and Chief Executive Officer.

The Company's Independent Non-executive Directors received a total of US$67,500 (2002: US$55,000) in fees for meetings attended in 2003, and emoluments of US$291,829 (2002: US$76,923) for consultancy services provided to the Company in 2003. No fees or emoluments have been received by the other Non-executive Directors.

The table below shows the number of Directors whose remuneration was within the bands stated.

Remuneration bands	2003 Number	2002 Number
NIL – US$125,000	**8**	6
US$253,001 – US$317,000	**1**	–
US$701,001 – US$765,000	**–**	1
US$765,001 – US$829,000	**–**	1
US$893,001 – US$957,000	**–**	1
US$1,341,001 – US$1,405,000	**1**	–
US$1,469,001 – US$1,533,000	**–**	1
US$1,917,001 – US$1,981,000	**1**	–
US$3,069,001 – US$3,133,000	**1**	–
US$3,261,001 – US$3,325,000	**1**	–
TOTAL	**13**	10

Both Messrs. Michael J. A. Healy and Ronald A. Brown resigned as Directors of the Company on 29 May 2003.

(B) SENIOR EXECUTIVES' REMUNERATION

As similar remuneration schemes operate for the senior executives of the Group, their remuneration may exceed that of the Company's Directors. One (2002: One) senior executive was among the Group's five highest earning employees. The remaining four (2002: four), of the five highest earning employees, are the Company's Directors.

US$ millions	2003	2002
Non-performance based		
– Salary and benefits	**0.5**	0.4
Performance based		
– Bonus and long-term monetary incentive awards	**0.7**	–
TOTAL	**1.2**	0.4

The table below shows the remuneration band of the one (2002: one) senior executive who was among the Group's five highest earning employees in 2003.

Remuneration bands	2003 Number	2002 Number
US$381,001 – US$445,000	**–**	1
US$1,149,001 – US$1,213,000	**1**	–
TOTAL	**1**	1

Notes to the Financial Statements

(C) SHARE OPTIONS

Particulars of the share options of the Company and its subsidiary companies granted to the Executive Directors, senior executives and former Directors of the Company and its subsidiary companies at 31 December 2003 are set out below.

(i) PARTICULARS OF THE COMPANY'S SHARE OPTION SCHEME

On 7 February 2003, the Company's Board of Directors approved the cancellation of all outstanding share options of the Company. The share option scheme has also been suspended by the Company, pending amendments to reconcile the scheme's provisions with Chapter 17 of the Listing Rules. As a result, there are no outstanding options under the Company's share option scheme at 31 December 2003.

	Options held at 1 January 2003	Options canceled during the year	**Options held at 31 December 2003**	Option exercise price (HK$)	Market price at date of grant (HK$)	Grant date	Exercisable from	Exercisable until
COMPANY								
EXECUTIVE DIRECTORS								
Manuel V. Pangilinan	12,498,000	(12,498,000)	–	9.47	9.60	19 December 1996	December 1996	December 2006
Edward A. Tortorici	920,000	(920,000)	–	9.22	9.15	16 July 1997	July 1997	July 2007
	5,556,000	(5,556,000)	–	6.72	6.80	25 June 1999	January 2000	June 2009
SENIOR EXECUTIVES	2,844,000	(2,844,000)	–	9.47	9.60	19 December 1996	December 1996 to December 1997	December 2006
	2,936,000	(2,936,000)	–	5.38	2.40-6.80	25 June 1999 to 14 August 2000	June 2000 to August 2001	June 2009
FORMER DIRECTORS	8,110,000	(8,110,000)	–	9.47	9.60	19 December 1996	December 1996	December 2006
	4,508,000	(4,508,000)	–	5.38	6.80	25 June 1999	June 2000	June 2009
TOTAL	37,372,000	(37,372,000)	–					

No share options have been granted or exercised during the year in respect of the Company's share option scheme. Accordingly, no value in respect of share options granted has been charged to the profit and loss statement, or is otherwise included in the Directors' remuneration and senior executives' remuneration disclosures as set out in Notes (A) and (B) above.

(ii) PARTICULARS OF INDOFOOD'S SHARE OPTION SCHEME

	Options held at 1 January 2003	Options granted during the year	Options exercised during the year	Options canceled during the year	**Options held at 31 December 2003**	Option exercise price (Rupiah)	Market price at date of grant (Rupiah)	Market price at date of exercise (Rupiah)	Grant date	Exercisable from	Exercisable until
INDOFOOD											
SENIOR EXECUTIVES	–	228,900	(116,739)	(112,161)	–	412,500	287,500	400,000	24 February 2003	February 2003	May 2003

On 16 May 2001, Indofood established an Employee Stock Ownership Programme (ESOP), which is to be implemented in three phases ending on 15 May 2004, for appreciation purposes. Under this programme, certain persons who have been employees, including senior executives and employees cooperatives, of Indofood for a minimum of one year are entitled to receive non-transferable options to purchase Indofood's common shares with a par value of Rupiah 100 each, exercisable in the relevant period up to 15 May 2004. The programme has authorized the granting of up to 915,600 options to purchase 500 common shares each, representing in aggregate 457,800,000 common shares or five per cent of the issued and outstanding share capital of Indofood at 16 May 2001, at an exercise price of Rupiah 825 per share. The exercise price was determined as the average closing price of the Indofood's shares during 25 consecutive trading days prior to 16 May 2001. The options were granted to three groups of employees, namely Group A (Executive Management) with a maximum portion of 48 per cent, Group B (Other Executive Management and staff) with a maximum portion of 50 per cent, and Group C (Employees' Cooperatives) with a maximum portion of two per cent, in each phase. The offer of the grant of options may be accepted by a participant within three days after the qualified employees received the notification. The options are exercisable when they are granted within the relevant ESOP phases. If the consideration is payable to or based on loans, they must be paid or repaid within three years.

On 15 May 2002, 457,800 options under Phase I of Indofood's ESOP were granted and all of these have been exercised. The market value of Indofood shares at the date of options granted was Rupiah 1,000 per share.

In February 2003, 228,900 options under Phase II of Indofood's ESOP were granted and became rights of the qualified employees. The market value of Indofood shares at the date of options granted was Rupiah 575 per share. During the year, 58,369,500 shares were issued through the exercise of 116,739 options granted under Phase II of Indofood's ESOP. The remaining 112,161 options were canceled on 15 May 2003 when they expired.

(iii) PARTICULARS OF METRO PACIFIC'S SHARE OPTION SCHEME

	Options held at 1 January 2003	Options canceled during the year	**Options held at 31 December 2003**	Option exercise price (Pesos)	Market price at date of grant (Pesos)	Grant date	Exercisable from	Exercisable until
METRO PACIFIC SENIOR EXECUTIVES	9,789,555	(9,789,555)	**–**	1.69	1.76	2 November 1993	November 1994	November 2003
	9,808,471	–	**9,808,471**	1.91	2.37	16 April 1995	April 1996	April 2005
	674,236	–	**674,236**	4.38	5.19	15 April 1996	April 1997	April 2006
	10,018,750	–	**10,018,750**	3.46	3.57	1 August 1997	August 1997	August 2007
TOTAL	30,291,012	(9,789,555)	**20,501,457**					

On 15 May 1990, Metro Pacific approved a share option scheme under which Metro Pacific directors may, at their discretion, invite executives of Metro Pacific upon the regularization of employment of eligible executives, to take up share options of Metro Pacific to obtain an ownership interest in Metro Pacific and for the purpose of long-term employment motivation. The scheme became effective on 15 May 1990. The scheme is valid for an indefinite period of time.

The maximum number of shares on which options may be granted may not exceed 10 per cent of the issued share capital of Metro Pacific, excluding any shares issued on the exercise of options, from time to time. At 31 December 2003, the number of shares issuable under share options granted under Metro Pacific's share option scheme was 20,501,457, which represents approximately 0.1 per cent of Metro Pacific's shares in issue at that date. The maximum number of shares in respect of which options may be granted under the scheme to any one participant (including shares issued and issuable to him/her under all the options previously granted to him/her) is limited to 30 per cent of the maximum aggregate number of shares of Metro Pacific subject to the scheme at the time of the proposed grant of options to such participant.

The exercise price in relation to each option offer shall be determined by Metro Pacific directors at their absolute discretion, but in any event shall not be less than the (i) average of the official closing price of the shares on the Philippine Stock Exchange for the twenty trading days immediately preceding the relevant offer date or (ii) the nominal value of the shares.

No share options have been granted or exercised during the year in respect of Metro Pacific's share option scheme.

The Directors are of the view that it is not appropriate to value the share options, on the ground that the value of options granted depends on a number of variables which are either difficult to ascertain or which can only be ascertained subject to a number of theoretical bases and speculative assumptions. Accordingly, the Directors believe that any calculation of the value of options will not be meaningful to shareholders.

30. CONNECTED AND RELATED PARTY TRANSACTIONS

Significant related party transactions entered into by the Group during the year, which also constitute connected transactions under the Listing Rules, are disclosed in Notes (A) to (C). Other related party transactions, which do not constitute connected transactions under the Listing Rules, are disclosed in Notes (D) and (E).

(A) Larouge B.V., a wholly-owned subsidiary of the Company, extended a US$90.0 million loan to Metro Pacific in April 2001. The loan was secured by a pledge over a 50.4 per cent interest of BLC shares that Metro Pacific owned. The principal amount of the loan was repaid on 17 April 2003 with the security released. At 31 December 2003, the outstanding unsecured interest payable from Metro Pacific to Larouge B.V. amounted to Pesos 721 million (US$13.0 million).

(B) Since December 1995, the Company has provided a guarantee, on a pro-rata basis to its shareholding, in respect of the credit facilities extended to Escotel. Details are provided in Note 27(C). The purpose of the guarantee is to facilitate Escotel's financing activities.

Notes to the Financial Statements

(C) On 18 December 2003, First Pacific International Limited, a wholly-owned subsidiary of the Company, extended a HK$10 million (US$1.3 million) loan to Metro Pacific in order to provide Metro Pacific with the cash resources required to meet general working capital requirements. The loan was unsecured, subject to an interest rate of 9.0 per cent per annum and repayable no later than 31 December 2005.

(D) Asia Link B.V. (ALBV), a wholly-owned subsidiary of the Company, has an existing Technical Assistance Agreement with Smart, a wholly-owned subsidiary of PLDT, for ALBV to provide Smart with technical support services and assistance in the operations and maintenance of Cellular Mobile Telecommunications Services for a period of five years from 23 February 1999, subject to renewal upon mutual agreement between the parties. The agreement provides for quarterly payments of technical service fees equivalent to one per cent (2002: two per cent) of the net revenues of Smart.

ALBV also has an existing Service Agreement with Smart for a period of 25 years starting 1 January 1999, which shall automatically expire unless renewed by mutual agreement of both parties. Under the agreement, ALBV provides advice and assistance to Smart in sourcing capital equipment and negotiating with international suppliers, arranging international financing and other services therein consistent with and for the furtherance of the objectives of the services.

Total fees under these arrangements amounted to Pesos 429 million (US$7.9 million) for the year (2002: Pesos 429 million or US$8.3 million). At 31 December 2003, ALBV has outstanding receivables under these arrangements amounting to Pesos 228 million (US$4.1 million) (2002: Pesos 31 million or US$0.6 million).

(E) In the ordinary course of business, Indofood has engaged in trade and financial transactions with certain of its associated and affiliated companies, the majority of which are related to the Salim family either through direct and/or common share ownership. Mr. Anthoni Salim is the Chairman and a substantial shareholder of the Company and is a Commissioner of Indofood.

Indofood believes that these transactions are conducted under normal terms and conditions, similar to those with non-related parties. The significant transactions with these related parties are summarized below.

Nature of balances At 31 December US$ millions	2003	2002
BALANCE SHEET ITEMS		
Accounts receivable – trade		
– from associated companies	**7.9**	6.0
– from affiliated companies	**2.6**	4.0
Accounts receivable – non-trade		
– from associated companies	**2.0**	1.2
– from affiliated companies	**8.1**	11.9
Long-term receivables		
– from associated companies	**6.0**	4.0
– from affiliated companies	**1.5**	1.5
Accounts payable – trade		
– to associated companies	**1.3**	1.4
– to affiliated companies	**1.7**	2.3

Nature of transactions For the year ended 31 December US$ millions	2003	2002
PROFIT AND LOSS ITEMS		
Sales of finished goods		
– to associated companies	**42.9**	53.3
– to affiliated companies	**4.6**	15.5
Purchase of raw materials		
– from associated companies	**13.3**	14.3
– from affiliated companies	**1.8**	29.1

Approximately two per cent (2002: four per cent) of Indofood's sales and one per cent (2002: three per cent) of its purchases were transacted with these related companies.

31. SUBSEQUENT EVENT

On 15 January 2004, the Group entered into a legally binding agreement with Idea Cellular Limited, one of the major mobile telecommunications operators in India, in respect of the disposal of its entire 49 per cent interest in Escotel for an aggregate consideration of Rupees 700 million (US$15.4 million). The anticipated completion of the disposal will not only improve the Group's working capital but also strengthen the financial position of the Company as a result of full release from its US$82.4 million guarantee obligations in respect of Escotel's credit facilities (Note 27(C)).

At the Special General Meeting held on 1 March 2004, the Company's shareholders have unanimously approved the Major Transaction relating to the Group's disposal of its entire 49 per cent interest in Escotel.

32. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation principally due to the adoption of a revised SSAP issued by HKSA during 2003. Accordingly, the presentation of certain items and balances in the Financial Statements have been revised to comply with the new requirements.

33. APPROVAL OF FINANCIAL STATEMENTS

The Financial Statements were approved and authorized for issue by the Board of Directors on 1 March 2004.